

# TRADE IN SERVICES AND ECONOMIC SECURITY OF STATE: CRITERIA OF INTERCONNECTION UNDER CONDITIONS OF GLOBALIZATION

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## Abstract

The influence of trade in services on state of economic security is investigated at the article. The methodology of estimation of influence of trade in services on indicators of macroeconomic and budgetary security is proposed. On basis of analyze, criteria of interconnection between international trade in services and economic security are grounded.

**Keywords:** Services, economic security of state, national interests

## Introduction:

With the globalization of economic relations and the aggravation of international conflicts, attention is paid on the issue of economic security. An important place in it's system under conditions of the transition of the world economy to a postindustrial stage, the service sector occupies. Existing economic security system today can not fully appreciate the impact of services on its level, making it impossible to develop adequate conditions of modern economic strategy of development. The study of the relationship between services and economic security will create conditions for protection of national interests in the sphere of international trade in services.

Problems of economic security were described in publications of Bazyluk J. , J. Binko , Z. Varnaliy , O. Vlasuk , V. Geets , B. Gubskiy , G. Darnopyh I . A. Zhalilo , L. Kisterskiy , I. Kravchenko , VI Muntiyan , A. Filippenko , V. Shlemko, B. Barry , F. Brown, C. Valters , A. von Geza , M. Hibberta , M. Erlandssona , William Christopher , W. Larnera , ED Mansfield , B. Dredge , S. Okita . But at present lacks substantial research of role of trade in services in providing economic security, indicating the feasibility of study of this problem today.

## I.

Currently there are no methodological approaches to impact assessment of trade in services on the level of economic security, but it seems obvious, that most of indicators used to evaluate the level of economic security directly or indirectly depend on the development of non-production sector.

One of the key elements of the economic security of the state is the macro security, defined as the state of the economy at which macroeconomic reproduction proportions are in the balance. Indirectly, the level of service affects each of the indicators that are calculated as a percentage of GDP and gross income as services sector currently generates a significant portion of GDP and national income in developed countries and countries in transition economies .

The direct impact of macroeconomic security creates the level of shadowing service because as indicator of macroeconomic security an integral index of shadow economy used.

According to the IMF, the share of shadow operations services ranging 37 - 42 % (as of 2010)[1], which is due, in our opinion, to the intangible nature of services and the inability to reliably establish the fact and scope of its provision. Thus, based on the volume of trade in services and a significant level of shadowing can say about the high impact of trade in services at the macroeconomic indicator of safety. Summing up the above, we can conclude high correlation between the state of macroeconomic security and its trading services.

The next element of economic security, under the influence of trade in services is the financial security of the state, which represents a state of fiscal , monetary , banking , monetary systems and financial markets, characterized by balance, resistance to adverse internal and external threats, the ability to ensure the effective functioning of the national economic system and economic growth. Financial security, in turn, contains the following components:

- fiscal security - a state of solvency of the government, taking into account the balance of revenues and expenditures of state and local budgets and the efficiency of public funds. The main indicators of fiscal security are: the level of GDP redistributed through the consolidated budget, the ratio of deficit and budget surplus to GDP, the ratio of deficit / surplus of the trade balance to total trade and the amount of transfers from the state budget ( % of GDP );
- currency security - is a state exchange rate, which creates optimal conditions for sustained development of the country's exports , the smooth flow of foreign investment into the country, Ukraine's integration into the global economic system, as well as protection against turmoil in international currency markets. The main indicators of monetary security are an index of change of rate against the U.S. dollar to that of the previous period, the ratio of foreign currency deposits to total deposits and Ukraine Gross international reserves in months of imports;
- monetary safety - it is the monetary system, which is characterized by the stability of the currency, availability of credit and thus inflation, ensuring economic growth and real incomes. Key indicators of monetary security act monetization, the amount of cash, inflation (prior year ) and lending to the real sector (% of GDP);
- debt security - is a level of internal and external debt including the cost of maintenance and efficiency of internal and external borrowing, sufficient to address the pressing of socio- economic needs. For indicators of debt security are used: the ratio of total debt to GDP, the ratio of public debt to GDP, the ratio of domestic debt to GDP, the ratio of government debt on government securities to GDP.
- security of insurance market - is a level of provision of financial resources of insurance companies, which would give them the opportunity, if necessary, reimburse amounts specified in the contract of insurance losses of their clients and ensure effective functioning. Indicator of the level of safety insurance market serving: insurance penetration rate, the level of claims, the share of long-term insurance, the share of premiums that are non-resident reinsurers and the proportion of share capital owned by non-residents[2].

Effect on trade in services and financial security should, in our opinion, be measured by its elements. In our opinion, the relationship of service and he budget security is undeniable - trade in services provides a significant proportion of revenues to GDP, serves as a catalyst for economic development, and, addressing the main occupation in most economies, provides a high level of tax revenue. Thus, the dual importance of trade in services for the budget and, consequently, fiscal security is one of the fundamental criteria of the relationship of trade in services of the state and its economic security.

In assessing the relationship of trade in services and monetary security special attention should be paid to indicators such as the proportion of long-term loans in total loans

and the volume of bank lending of real economy. In assessing the state of the debt security to identify a direct relationship between the indicators and trade in services was impossible, however indirectly immaterial sphere has an impact on the level of public debt because of its role in the country's budget. Government debt is often used to cover the budget deficit, the size of which, as noted earlier, is closely associated with the level of services development.

The last element of financial security is the security of the insurance market. Each indicator used to assess its condition is the result of trade in services, which gives grounds to confirm a positive link between trade in services and the financial security of state. The value of each of the indicators depends on the level of development and the current situation of the insurance market, and indicators such as the proportion of premiums for residents and non-resident, as well as the proportion of share capital owned by non-residents in the total paid by all insurers authorized funds shows a significant impact of imports of insurance services to the level of economic security.

Thus, the relationship between trade in services and the financial security of the state is indisputable, although the impact of non-material production sector to the financial security is uneven, ranging from optional factor to the basic premise of financial security of state.

The next element of economic security is a manufacturing safety, whose main task is to provide a level of industrial complex that is capable to satisfy needs of growth and expanded its reproduction.

This component of economic security is designed to reflect the impact of industrial sector on the economy, which is, in our opinion, the logical and appropriate. However, analyzing the state of the industry, we can not consider the impact of services on the status of industrial assets, as their installation, maintenance and repair are connected to sphere of non-material production. Thus, the relationship between industrial safety and human services exist, although it is indirect.

There is an undeniable correlation between the level of investment security and trade in services of the country. Investment security is a level of domestic and foreign investment, which can provide a long-term positive economic dynamics and stimulate creation of innovative infrastructure and adequate innovative mechanisms.

Sphere of services is one of the most attractive for investment as it opens a wide field for maneuvering, providing high return on invested capital. Each of the indicators of investment security can be viewed from the standpoint of the sectoral approach that allows to quantify the impact of each on the state of economic security. Although the results of calculations fluctuate depending on the country and determined by the structure of each economy, it can be argued that the contribution of services in the resulting figure will be enough tangible.

Of particular importance in this context acquires foreign trade in services as one of the basic directions of foreign direct investment. It should, however, be noted that the direction of the impact of trade in services with the given component of economic security is not always recognized as positive as it prevails in the structure of investment services, according to experts, increases the risks of instability growth in the long term.

Another element of economic security is the science and technology security, which is determined as a state of scientific, technological and industrial potential of the state, which helps ensure proper functioning of the national economy, sufficient to achieve and maintain the competitiveness of domestic products. The basis of scientific and technological potential is a research branch of economy activity in which, according to the classification of services GATS relates to services (business services, in research and development)[3]. Although the proposed definition of scientific and technological security focuses on the commercialization of scientific developments and use of them as of prerequisites for effective use of productive capacity, the role of services in this context can not be denied.

One of the most sensitive to the effects of trade in services component of economic security is its external component. Security in sphere of foreign economic activity is the state of compliance of national foreign economic interests, ensuring minimization of losses of state from negative external economic factors. Impact of trade in services on the value of each of the indicators is undeniable, as external trade in services is an integral part of export-import operations in any country.

Social Security is a state in which the country is able to provide a decent standard of living, regardless of the impact of internal and external threats. Impact of trade in services in the state of social security is ambivalent: on the one hand, addressing one of the key factors of economic development, the main source of job creation services affect indicators such as social security unemployment, long-term unemployment rate etc. The highest salaries are currently are in financial institutions and air transport, while the wages of workers in the public health care and education remained at 21.6 % - 35.6% below the average for the economy, suggesting the presence of diverse impact of services on the status of the indicators of social security of state[4].

On the other hand, the relationship between services and economic security be traced to such parameters as the amount of expenditures on health and education, because the level of services development has a direct impact on the social protection of the population.

The last element of economic security is food security. Its level is evaluated by indicators that have no connection with the scope of services (daily caloric nutrition, level of carry-over stocks of grain, % of annual consumption and production of grain per person per year). However, under normal operating conditions an important economic impact on the supply of food products makes trade, since it creates connections between food manufacturers and their direct customers. Thus, the sphere of services in this case can be considered an infrastructure factor of food security of the population.

### **Conclusion:**

Thus, we can conclude that existence of strong connections between economic security and services. The main criterion for the truth of this statement, based on the results of the analysis is the role of trade in services in the economic development of the state: impact of trade in services (both internal and external) on the amount of national income and GDP ), role in the employment system, role in the process of involvement foreign direct investment, the impact of foreign trade in services on balance of payments. Services can be named a key component of the process of human development in country, as well as the basis of infrastructure.

Looking separately on different services, role of the transport sector in the provision of energy security, place of insurance and banking sectors in ensuring the financial security, importance of trade to food security, the role of foreign trade in services (including transport and tourism) to ensure macroeconomic and external security, impact of education and science on the formation of human potential of the state should be stressed.

The analysis shows the existence of connection between the state of economic security and the level of services development on many criteria. As the factors that influence different indicators of economic security, trade in services plays a key role in strengthening of the state position in international markets, improving the security level as well as in the process of securement of national interests.

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